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INDEPENDENT  
TELEPHONE & TELECOMMUNICATIONS  
ALLIANCE

May 29, 1998

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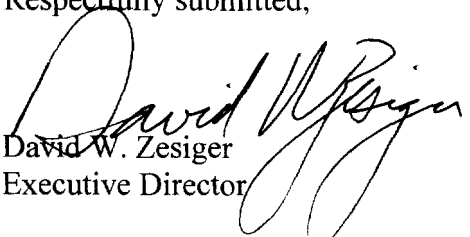
Mr. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Re: Reply Comments of the Independent Telephone and Telecommunications  
Alliance, CC Docket Nos. 96-45 and 97-160

Dear Ms. Salas:

This letter is to advise you that the Independent Telephone and Telecommunications Alliance (ITTA) is submitting the attached Reply Comments on this date in the above-referenced proceedings. One original and nine copies of the Reply Comments are attached for filing with your office. Please contact me if you have any questions regarding this matter.

Respectfully submitted,

  
David W. Zesiger  
Executive Director

Enclosures

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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

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In the Matter of	)	
	)	
Federal-State Joint Board	)	
On Universal Service	)	CC Docket No. 96-45
	)	
Forward-Looking Mechanisms	)	
For High Cost Support For	)	CC Docket No. 97-160
Non-Rural LECs	)	

**Reply Comments  
of the  
Independent Telephone & Telecommunications Alliance**

In response to the Public Notice released April 15, 1998, the Independent Telephone & Telecommunications Alliance (ITTA) files these Reply Comments on issues pertaining to the future provisioning of high cost support, in furtherance of the universal service objectives set out in the Telecommunications Act of 1996. ITTA represents incumbent local exchange carriers identified under the 1996 Act as having less than 2% of the nation's total access lines.<sup>1</sup> Further, many of ITTA's members are or own local exchange carrier operating entities which qualify as rural telephone companies under the 1996 Act.<sup>2</sup> The Notice focuses upon high cost matters in the context of non-rural carriers. But the make-up of ITTA's membership and the potential influence which decisions made in the non-rural context may have on those later taken in the rural context warrant comment here from both perspectives.

ITTA's principal concerns, addressed below, may be summarized as follows:

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<sup>1</sup> 47 U.S.C. 251(f)(2).

<sup>2</sup> 47 U.S.C. 153(47).

- The Commission should maintain its current policy of addressing rural and non-rural universal service needs in separate fashion, in separate proceedings;
- As to rural issues, the Commission should adopt Chairman Kennard's circumspect approach to implementing major, untested changes in existing mechanisms;
- As to non-rural issues, the Commission should ensure that universal service needs are not subordinated to intercarrier disputes concerning competitive entry;
- As to both rural and non-rural universal service needs, regulatory efforts must focus on producing support "sufficient" to meet identified needs and rates which are both "affordable" and "comparable."

Sound policy requires the inclusion of these points, to ensure that any resulting universal service mechanism and program achieves the goals established by Congress.

**1. The differences between rural and non-rural circumstances, needs, and serving conditions justify the continuing bifurcation of rural and non-rural proceedings.**

ITTA believes it important to restate and to refocus on the original considerations leading to the bifurcated regulatory treatment applied to rural and non-rural carriers. As discussed in the Joint Board's Recommended Decision:

[W]e recognize that the operations of some carriers could be placed at risk if their support was immediately determined by the use of proxy models.... First, none of the models adequately represents the costs for rural carriers.... Second, small carriers, with their limited revenue streams, will be significantly affected if the model does not accurately reflect their costs. Third, the proxy models should be refined and modified to reflect the special characteristics of rural carriers before requiring those carriers to move to a proxy model for determining universal service support.<sup>3</sup>

Acting on these findings, the Joint Board adopted the 1996 Act definition of "rural telephone company" as the appropriate point to bifurcate further proceedings.<sup>4</sup>

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<sup>3</sup> In the Matter of Federal-State Joint Board on Universal Service, Recommended Decision, CC Docket No. 96-45 (1996) at para. 271.

<sup>4</sup> *Id.* at para. 272.

The special characteristics identified by the Joint Board still apply to rural carriers, conditions, and needs. In the year since the Recommended Decision was issued, the tide of consumer (and Congressional) expectations rising in the wake of Telecom Act passage has placed even greater demands on rural carriers for improved and expanded service offerings. The challenge of meeting customer needs in rural areas has intensified, not diminished.

The Commission clearly understood this issue. In adopting the Joint Board recommendation, it relied upon the Joint Board's conclusions:

The Joint Board noted that, compared to large ILECs, small rural carriers generally have fewer subscribers, serve more sparsely populated areas, and do not generally benefit from economies of scope and scale as much as non-rural carriers.<sup>5</sup>

Recognizing these rural issues, the Commission authorized a Rural Task Force to identify and to address existing and emerging issues from a rural perspective. The Commission recently reported to Congress on the imminent activation of that Task Force. ITTA urges that the Task Force be given substantial latitude to further identify rural problems and to develop appropriate recommended solutions. It further urges that the Commission retain its bifurcated approach, and not succumb to periodic efforts to apply an undifferentiated, one-size-fits-all solution alike to rural and non-rural issues, which are not alike.

**2. Chairman Kennard's circumspect approach to the evolution of rural universal service is well grounded and should be followed by the Commission.**

Chairman Kennard has taken a direct, commendable interest in rural consumer and service issues. In public remarks made a month ago, he described his personal observations of rural exchange service areas and service providers. What he saw was the visible

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<sup>5</sup> In the Matter of Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-45 (1996) at para.291.

manifestation of a successful Commission policy which has benefited millions of rural consumers.<sup>6</sup>

His appreciation for what rural carriers have achieved under the existing mechanisms, against significant obstacles, apparently resulted in a further appreciation for the adverse impact which poor policy decisions might have on rural consumers in the future. As he stated:

My bottom line is that universal service reform is something the Commission should do with small rural carriers, not to them. The Joint Board will soon appoint the Rural Task Force, which I fully support as a means of developing a greater consensus on what further actions, if any, must be taken for universal service support to high cost areas served by small companies. But I want to be clear on this point – I see no reason why further small company reform must begin in 2001. We should make changes only when it is right to make changes, not before.<sup>7</sup>

ITTA supports this approach. The existing program is not broken.<sup>8</sup> Further, in its initial Order, the Commission addressed various issues, such as competitive neutrality, which make the existing universal service structure, as applied to rural carriers, entirely compatible with the broader evolution of the telecommunications industry under the 1996 Act. The Commission should ratify and adopt the Chairman's approach in any further efforts directed to rural universal service matters.

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<sup>6</sup> Prior to the 1996 Act and Section 254, universal service was largely a function of Commission policy, maintained through Commission rules. See 47 U.S.C. 151 ("to make available, so far as possible, to all the people of the United States"); 47 C.F.R. 69.116 ("Universal service fund").

<sup>7</sup> Remarks by William Kennard, Chairman, Federal Communications Commission, to USTA's Inside Washington Telecom, April 27, 1998 (as prepared for delivery) at 1-2.

<sup>8</sup> ITTA notes that other commentators, such as the Rural Telephone Coalition, have requested that the Commission act on reconsideration petitions which have been on file for some time. ITTA believes action on reconsideration is timely, particularly given the expressions made to Congress in the Commission's recent Report. In the Matter of Federal-State Joint Board on Universal Service, Report to Congress, CC Docket No. 96-46, released April 10, 1998, para. 223, 224.

**3. With respect to non-rural mid-size carriers, universal service considerations and policies should not be subordinated to disputes concerning competitive entry.**

The impending efforts of the large BOCs to satisfy the requirements of Section 271 continue to generate adversarial responses from various quarters, principally the major interexchange carriers who would be directly impacted by such entry. Section 271 does not apply to ITTA's members. We have no dog in that fight.

ITTA notes, however, the suggestion of AT&T, recited in the Notice, that universal service support be deferred or denied for "major" LECs until effective competition is achieved in their markets. This is both bad law and bad policy. No provision of the 1996 Act subordinates Sections 254 and 214(e) to Section 271, Section 251, or any other competitive provision. Moreover, the needs of individual consumers for quality services at just, reasonable, and affordable rates should not be turned into a bargaining issue in a completely unrelated matter. The Commission has already acknowledged the requirement for competitive neutrality as a part of any universal service program to be adopted. ITTA supports this neutrality principle, which should satisfy AT&T's local competition concerns in this matter insofar as it implicates midsize companies.

**4. Sufficiency, affordability, and comparability are indispensable criteria for measuring the acceptability of any universal service program, whether based on proxy cost models or otherwise.**

ITTA recognizes the Joint Board and Commission task here to be an extremely complex one. Immersed in such complexity, it may prove easy for regulators to unintentionally confuse identifying the means with achieving the goal.

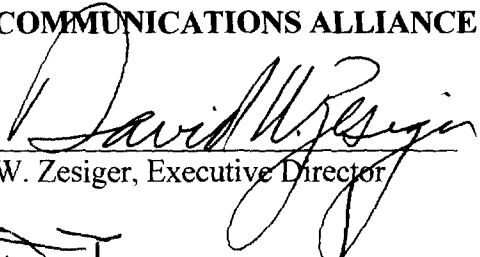
The goal is not to find a consensus compromise on some particular model or mechanism. It is to ensure sufficient universal support, to the end that all consumers in the

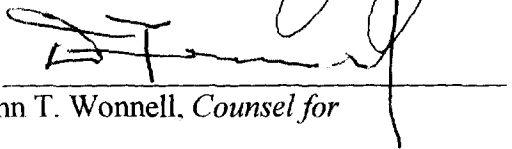
nation receive service that is affordable and reasonably comparable, irrespective of rural or urban location. Achievement of these goals affects all consumers, but is especially important to those in rural areas. The implementation of the Rural Task Force can both spread the work load and provide additional sources of insight to augment the ongoing Joint Board and Commission efforts in that area. Through such efforts, and by adopting Chairman Kennard's measured approach, the chance for unintended, adverse impacts on rural consumers can best be minimized, and the goals of the Act achieved for all.

In support of the above matters, ITTA offers these Reply Comments for Commission consideration.

Respectfully submitted,

**INDEPENDENT TELEPHONE &  
TELECOMMUNICATIONS ALLIANCE**

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